

QUESTIONS/ISSUES AND RESPONSES
RESULTING FROM
THE PROPERTY MANAGEMENT
INDUSTRY FORUM (12/10/99)

1. QUESTION: When were the 34 on-base units built?

ANSWER: Between 1815-1947

2. ISSUE: During the government's presentation to the property management industry forum, it indicated that a one-year contract with up to 9 option years was being considered rather than the one-year contract with 4 option years. A ten-year contract could be more beneficial for both the government and the contractor if a good partnering arrangement exists. Industry representatives are hesitant to commit to a contract of that length without appropriate measures to permit price adjustments in the out years.

ANSWER: The government will review the option for extending beyond the five-year period and what techniques may be available for permitting price adjustments.

3. ISSUE: Many concerns were expressed regarding the risks and liabilities a contractor would be assuming under a firm-fixed-price contract approach. Property managers indicated that under this type of contract it would be required to absorb unforeseen costs within the budget. For example, if a property management company missed identifying some deficiencies during their assessment of the unit or inaccurately predicted unit turnover rate, these factors would impact on their firm fixed price budget. Another difference noted from the forum with this type of contract was that the property management firm would be required to finance maintenance work for about 30 days; whereas, it is normally reimbursed immediately by the property owner. Lastly, property management companies echoed that this type of contract is not how they operate with owners. Property management companies receive their compensation through a management fee, which is typically a percentage of the revenues (rental income) they receive. In the beginning of the year, the owner and the property management firm agree upon a budget, and any unforeseen variances are discussed with the owner for resolution. Property management firms recommended that the government fund the estimated budget and provide them with a separate management fee, following private sector practice.

ANSWER: The government indicated that it had considered structuring a cost-reimbursement type of contract, which would be more in line with private sector practices. However, the government abandoned this approach since this type of contract is too labor intensive to administer in terms of sharing management responsibility, monitoring performance, and administering a myriad of other oversight responsibilities. Additionally, the government prefers that some risk be assumed by the contractor, consistent with the approach it sets forth in its management plan. The government explained that under the indefinite quantity portion of the contract, some of the property management companies concerns regarding unforeseen costs could be captured through negotiations in this particular line item of the contract.

The government also mentioned that the management plan submitted by the property management company could possibly include some assumptions for unforeseen costs. As an example, the property management company could state in their management plan that five snow removal frequencies were being estimated within their budget as part of the firm fixed price. Anything above or below that estimated quantity and amount would be renegotiated between both parties. Since the government expects the offerers to identify the performance tracking system to be applied in its management plan, periodic reports should identify the actual levels of services provided. That performance record would provide the basis for confirming deviations from the management plan and therefore establish a baseline for modification to the fixed-price portion of the contract.

The government offered to provide more historical data in the solicitation to help the property management companies provide better estimates for their budgets. The government also indicated that it would take another look at its contracting method to see if it could be more in line with private sector practices.

4. ISSUE: A recommendation was made to change the terminology of “Management Plan” to Policy and Procedures that more closely describes private sector practices.

5. ISSUE: Explain Best Value Source Selection

ANSWER: The government explained that Best Value Source Selection is not based on low bid. Best Value Source Selection is based on the total proposal (both technical and cost) which is considered to be the most advantageous or considered to be the “best value” to the government. The government then explained that under Section L the technical proposal submission would consider two criteria factors, the Management Plan and Corporate Experience and Past Performance. The government indicated that during the Source Selection Process there are trade-offs between technical merit and cost.

6. QUESTION: To what level of detail does the government expect in the area of development plans for capital improvements and preventative maintenance?

ANSWER: The government expects the capital improvement and preventative maintenance plans to describe an approach on how they will be developed, not to explain what the plan will cover.

7. QUESTION: How will evictions be handled?

ANSWER: The Navy will assist the property management company in the area of evictions since evictions generally involve the military chain of command.

8. QUESTION: What is the Navy occupant’s responsibility?

ANSWER: The government intends to minimize occupant responsibility for government quarters and will reduce its current self-help inventory, consisting of parts, lawn

equipment, and supplies. The government expects residents to perform the same types of maintenance that is done in the private sector such as changing light bulbs.

Although the checkout process varies in private sector depending on the owner, both the government and private industry forum participants agreed that an occupant should clean satisfactorily so that a new tenant can immediately move-in.

9. QUESTION: Does the contracting plan require names of subcontractors?

ANSWER: Although the government does require the name of all subcontractors, only key/major subcontractors need to be identified in the management plan. Corporate and past performance information will also be considered for key/major subcontractors, as indicated in the technical evaluation factors in Section L.

10. ISSUE/DISCUSSION: The government discussed the distinctions between the Davis-Bacon Act and Service Contract Wage. The government stated it is the contractor's responsibility to ensure that the proper wage is used, and that contractors must comply with the Davis-Bacon Act when work involves construction work. Most Davis-Bacon types of work and wages would occur in the indefinite quantity line item of the contract. However, Davis-Bacon Act compliance may be required in the change of occupancy maintenance portion of the contract where painting or any other type of work that could be classified as construction would be accomplished. For instance, painting of areas exceeding 200 square feet would require that Davis-Bacon wages be paid. Also, any task that could be classified as maintenance or repair work that exceeds 32 hours to accomplish also requires that Davis-Bacon wages be paid. The government referred to Section C (page 27) of the solicitation which further explains the differences between Davis-Bacon Act and Service Contract Act wages.

Since all work performed under this contract will be performed in the state of Maine, the government will use the Maine labor rates in determining their estimate. The government is required to make yearly adjustments in their contracts to accommodate the latest published Service Contract Act wage determination schedule. Wage adjustments for Davis-Bacon would be the responsibility of the contractor to absorb and therefore should be factored into the cost proposal. When work is ordered under the indefinite quantity line item, each task is negotiated individually so prices for labor should be no problem.

11. QUESTION: Is a contract extension accomplished by mutual agreement of both parties (government and contractor)?

ANSWER: The government is not required to extend a contract, but the decision to extend is at the government's option. Usually, the government will notify the contractor 30 days in advance of their intentions to extend or to allow the contract to expire without extending. There is no mutual agreement between the government and contractor currently in this area, and the contractor must comply with the government's desires. However, based on the private industry forum's feedback, the government will explore

this area to see if a mutually agreed upon extension/termination clause can be considered in this solicitation.

12. QUESTION: With a five-year contract, would it be possible to negotiate the price each year?

ANSWER: The government stated that this is not possible since this contract is a five-year firm-fixed-price contract. A suggestion was made to create an annual economic price adjustment tied to a published index, such as the Consumer Price Index. The government agreed to investigate this possibility.

13. ISSUE: The government mentioned that the benchmarking that led to this solicitation could be found on http://gravity.lmi.org/Navy_housing/. The government also stated that it would link this particular Internet site to the RFP solicitation site.

14. ISSUE: Private industry forum attendees stated that generally property management companies develop the owner's budget. Included in the budget is the plan for capital improvements. However, capital improvements and planning are based on the owner's plans and expectations for the property. The owner needs to let the property management company know whether the owner expects to maintain a long term investment or turn the property for a quick profit. The owner's plans will impact how the property is to be maintained.

ANSWER: The government stated that as a long-term owner, it wants quality property and were concerned about resident satisfaction. The government indicated that as the property owner, these expectations would be placed in the solicitation.

The government stated that Congress must approve capital improvements planned for the 34 on-base units since they are expected to exceed the \$20,000 per-unit per-year Congressional spending limitation.

15. ISSUE: The private industry forum attendees cautioned the government when reviewing past performance. An example cited was that if the owner of the property wanted the property management company to drive down the cost, the property may not be in the best condition which would not be the fault of the property management company.

ANSWER: In these instances, the government recommended that the offeror note this in the technical evaluation plan of their submission. It is important for the government to understand in those cases that the company was meeting the owner's goals.

16. QUESTION: Will the offeror be responsible for equipment, and what types of equipment does the government expect?

ANSWER: The offeror will receive an inventory of current government equipment, but will be responsible for replacement. Replacement equipment should be the same or

better and energy efficient. The government may need to specify a minimum size and energy efficient rating in the solicitation. Factors including maintainability, parts support, good repair records, current inventory compatibility, and bulk discount pricing should be considered in recommending appliances and other equipment for replacement.

17. QUESTION: Will there be a site visit?

ANSWER: A site visit will be arranged during the pre-proposal conference and include a representative number of units for inspection.

18. QUESTION: Will the government include any specifications for siding, insulation, etc?

ANSWER: The government will not include these types of specifications. We expect the same quality that is used as a best practice in private industry to be used in government housing.

19. QUESTION: Would specifications be required for capital improvements?

ANSWER: Yes, plans and specifications would need to be submitted by the contractor.

20. QUESTION: Are the day-to-day operations the bigger part of this contract or the capital improvements?

ANSWER: The government considers the day-to-day operations the biggest portion of this contract and is looking for a firm that has property management expertise. Capital improvements could be subcontracted.

21. QUESTION: The government asked how does an owner determine if success in managing property is achieved?

ANSWER: The private industry attendees stated by the mission statement of the owner and whether the property management company has achieved the objectives.